

DECIPHERING WEB3

► A New Definition For The Next Era
Of Connected Consumer Behavior



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CONTENTS

- Introduction
- Web3 Defined
- The Web3 Consumer Experience
- Emerging Use Cases
- Web3 Value Creation for Enterprises



Introduction

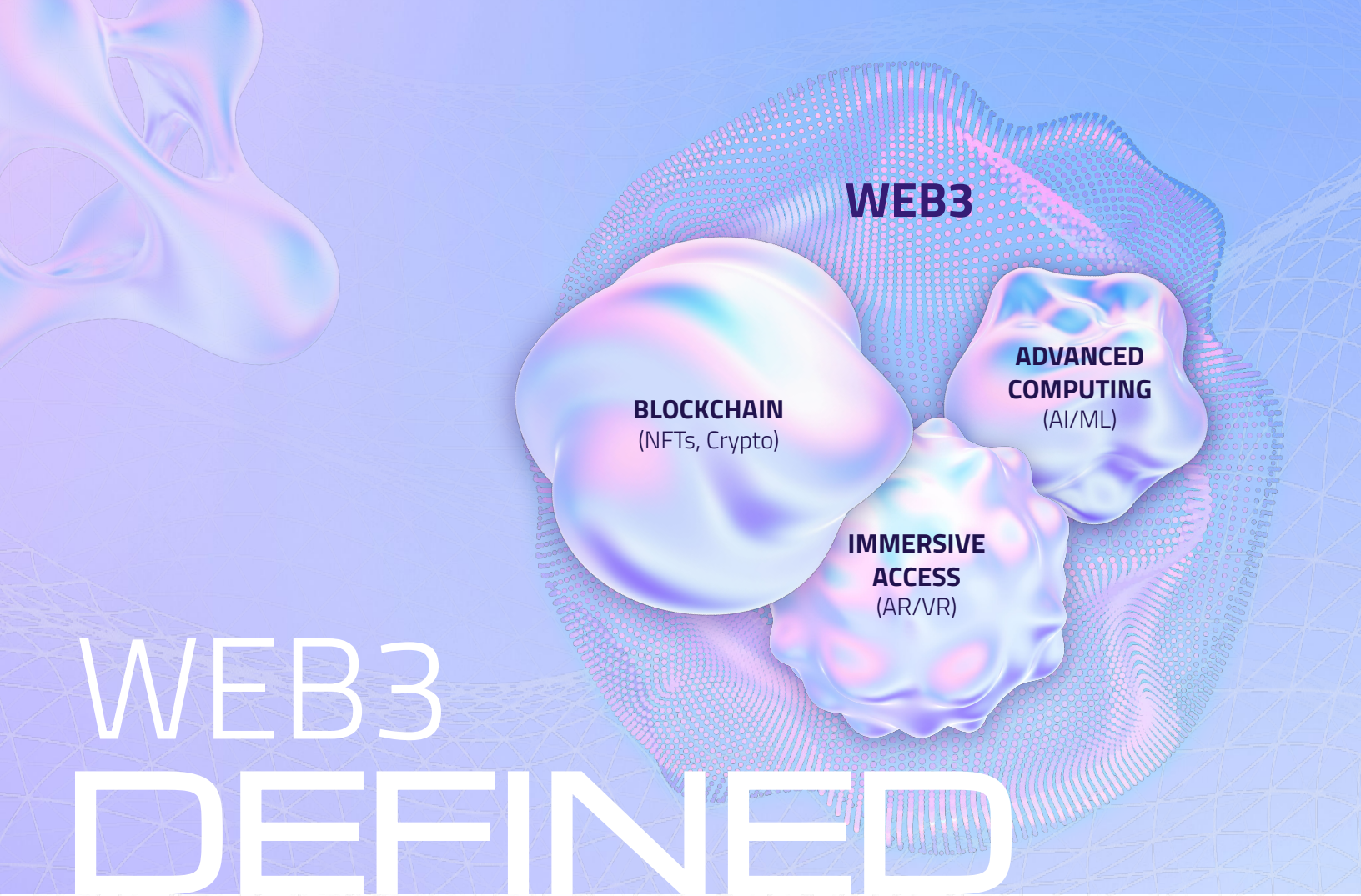
We don't get to pick the words that stick.

The information superhighway, the world wide web, electronic mail, emoticons, social networks - it's easy to list words from early eras of the internet that are a bit past their prime. Yet, our society needs new words as technology and culture evolve to shape the fabric of our lives. We need to explain increasingly complex technology, and we need to define and articulate new consumer movements.

At Vayner3, we aren't wedded to any of this newest generation of buzzwords - Crypto, NFTs, Web3, or the Metaverse - but we recognize the importance of building consensus around a common understanding of what's happening in tech and culture. Our mission is to guide enterprises in navigating the enormous business opportunity that lies at the forefront of digital innovation. To capitalize on this opportunity, organizations need to educate, inspire, and mobilize large groups of diverse stakeholders with clear definition and framing.

In this piece, we define the often vague but fascinating space we work in.

Deciphering Web3.



Web3 represents the next iteration of connected consumer behavior.

We take an expansive view: **Web3 is the next evolution of the consumer web; the next era of the internet.** Over the last decade, consumers have increased their screen time by over an hour per day.¹ As consumers spend more and more of their time in a digital-first reality, their preferences and patterns are changing dramatically. They want to participate in shaping the brands they love, co-create with those brands, and be the main character of their online experience.

Blockchain, Immersive Access (AR / VR), and Advanced Computing (AI / ML) are the primary technologies in delivering these novel consumer experiences. Although the technologies are capturing mainstream attention in the early part of this decade, they're nothing new. The first academic paper to discuss a block-based chain of ledger entries was published in 1991.² Inventors tinkered with VR headsets in their garages during the 1960s and 70s.³ The conception of machine learning surfaced as early as 1943.⁴ These "emerging technologies" have deep roots.

The technological roots have broken through the surface as consumer culture has taken hold. Web3 is a cultural *and* technological movement. Early adopters - artists, creators, and builders - have adopted new tools to make extraordinary things. Over the last several years, we have seen a digital renaissance in art, fashion, music, gaming, and sports. While Web3 buzzwords are polarizing to a mainstream consumer, the idea of an ownable, immersive, and personalized online experience is not. Consumers demand more **ownership** of their online data and identity, are hungry for higher-fidelity **immersive experiences**, and want a **personalized online journey** that makes them feel special.

1. Data Reportal, 2022

2. How to Time-Stamp a Digital Document, 1990

3. Telesphere Mask patent, 1960

4. A Logical Calculus of the Ideas Immanent in Nervous Activity, 1943



The Web3 Consumer Experience

These three tenets - Ownable, Immersive, and Personalized - will define the next era of the internet and remain durable north stars amidst inevitable waves of new hype and noise. We looked at the early adopters of Web3 technology - emerging generations who are already shaping digital culture - and we developed this thesis to describe the digital experience consumers are demonstrating they want. Here is what we found.

Ownable

Consumers want more ownership of their online life. Over 94% say increased control over their data and online identity is important,⁵ and we are seeing the global digital ecosystem - from regulators to tech platforms⁶ - react to this. Moreover, 20% of US adults have bought and sold digital assets,⁷ and 75% of Gen Z plans to spend money on digital fashion.⁸ Gen Alpha is asking their parents for virtual currency like Robux for allowance instead of cash.⁹ It's clear that consumers - especially younger generations - care deeply about their online data, identity, and assets.

While older generations may see a clear distinction between "online and offline," the Web3 consumer has a seamless identity across both digital and physical worlds with equal import. Consumers are increasingly moving between platforms and experiences, and they are demanding a level of "portability" for their assets, their followers, and their identity. This societal shift in expressing one's identity across domains is now enhanced by NFTs and blockchains, which introduce new methods to express and validate genuine ownership online.

Immersive

Consumers want immersion. 88% of consumers say the experience a company provides is as important as its products or services.¹⁰ Organizations willing to experiment with new forms of immersive storytelling are seeing results.

Over half of consumers have stronger recall of brands that use immersive technology,¹¹ and 65% of shoppers are more likely to place an order after interacting with a product in augmented reality. AR and VR technologies are seeing massive investment and development, and the broader "extended reality" market is projected to grow 40% annually through 2030.¹² While the metaverse envisioned in Hollywood blockbusters may be a distant reality, continued efforts to immerse consumers in surprising and delightful ways are all but certain.

Personalized

Consumers want an online experience that feels deeply personal. 66% of consumers expect companies to understand their unique needs and expectations,¹³ and over 80% believe brands are more authentic when they collaborate with customers.¹⁴ Personalization can come in many forms, and when companies get this right, consumers respond.

In 2023, it's unsurprising to hear that 76% of consumers are more likely to consider purchasing from brands that personalize.¹⁵ But, surprising new Web3 tools, including stunning advancements in AI,¹⁶ are now giving marketers a plethora of new means for hyper-personalization at scale.

5. Qonsent.com, 2022

6. The Guardian, 2022

7. Morning Consult, 2023

8. Manhattan Institute, 2022

9. WSJ, 2022

10. Salesforce, 2022

11. Accenture, 2020

12. Grand View Research, 2022

13. Salesforce, 2022

14. SocialMediaToday, 2021

15. McKinsey, 2021

16. InterestingEngineering, 2023



Emerging Use Cases

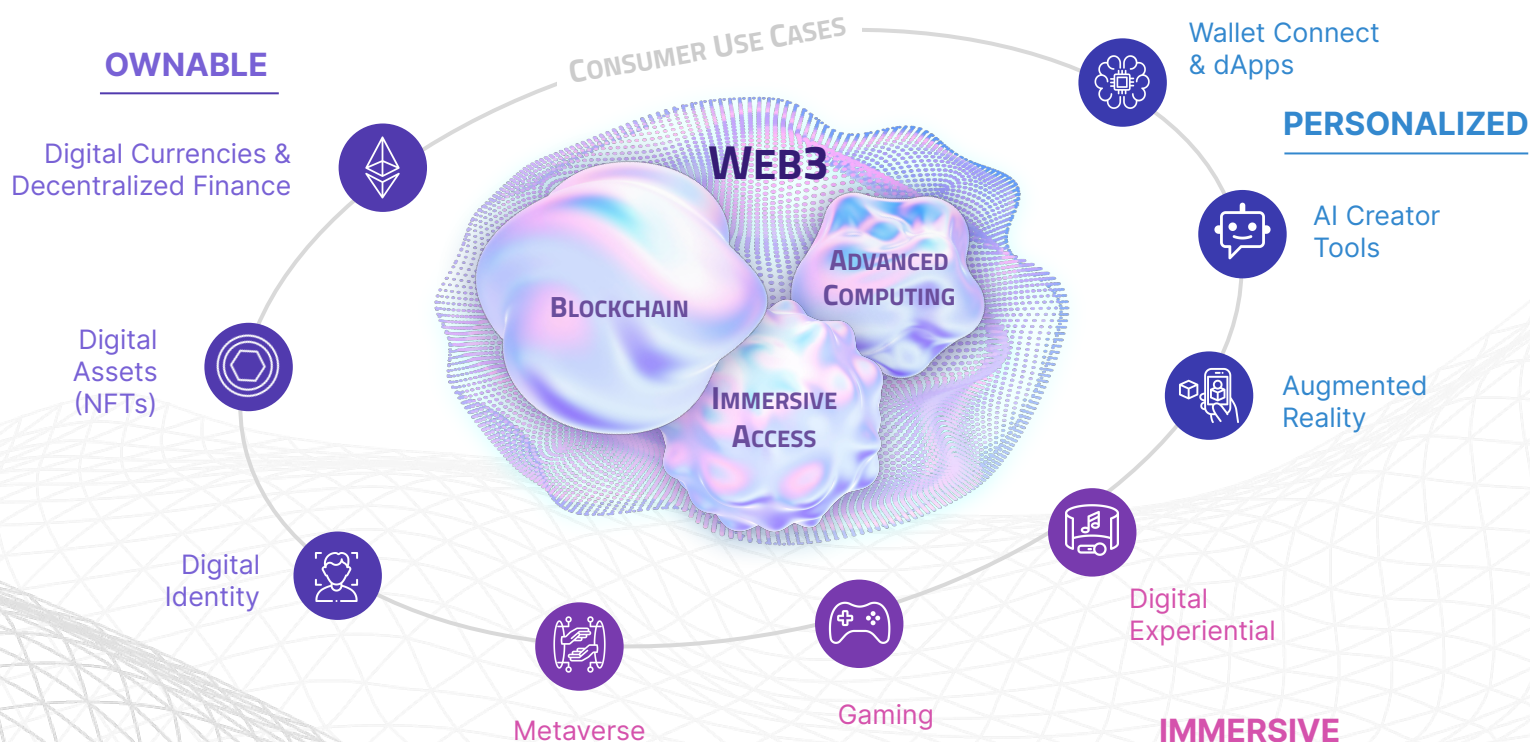
While we haven't yet seen the "killer app" of Web3, we have seen independent and distinct consumer use cases that are proof-of-concepts for a more ownable, immersive, and personalized digital world. These use cases are each at different stages of maturity and adoption. We expect continued technological development to drive use cases far beyond those described in the visual below - the application of Web3 technologies is continuous.

As these individual use cases are market-tested and find sustainable business models, we expect more comprehensive solutions to emerge that incorporate the full set of underlying technologies.

Organizations that fully harness the potential of Web3 will strategically combine Blockchain, AR/VR, and AI.

Moreover, these same underlying technologies will have an impact far beyond the consumer web and digital marketing. In this paper, we focus on consumer demand for Web3 experiences and the opportunity for marketers; however, the broader impact of these technologies is already apparent across fields like finance, supply chain, insurance, and healthcare.

New use cases are creating a more ownable, immersive, and personalized internet



Non-exhaustive; Web3 use cases are continuing to evolve and expand

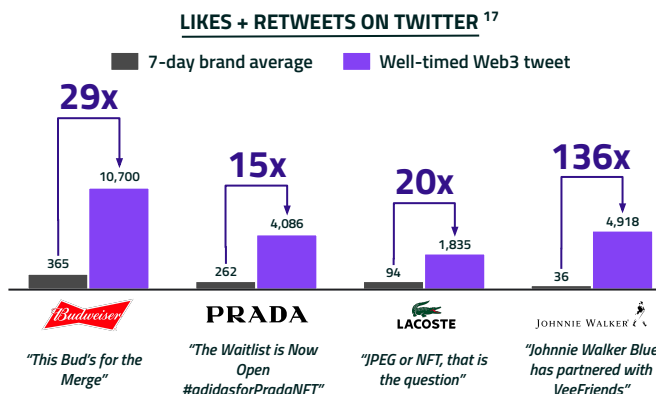


Web3 Value Creation for Enterprises

As the digital landscape shifts, enterprises are discovering opportunities to create real, tangible business value. In 2021 and 2022, we observed many brand stunts without substance. We saw rapid experimentation and enthusiasm, but we also saw clear Web3 leaders emerge. In 2023 and beyond, we expect to see a further separation between organizations with a clearly-defined, long-term Web3 strategy and those chasing the next shiny object. It is vital to isolate signals from the noise; successful organizations will identify and capture real business value unlocked through Web3 adoption. We see Web3 adding value against four primary business objectives in 2023.

1> Drive engagement & relevance

Web3 has unlocked a cultural renaissance around digital art and creation. A new generation of artists and builders has emerged, and savvy brands have found authentic ways to plant their flag as a force for good on this new creative frontier. Vayner3 has shared in detail our perspective on the power of authentic cultural collaborations in Web3. This opportunity will continue to exist as a lightweight way for brands to “show up” in what’s new and next.



One of the clearest channels to quantify the opportunity for digital engagement is Twitter. Brands that have gotten this right with well-timed, authentic, and relevant content have seen significant spikes in engagement well beyond average performance.¹⁷ The small but passionate Web3 consumer base punches well above its weight, which presents an obvious relevance and engagement opportunity for brands.

2> Build owned communities and stronger DTC relationships

Web3 is giving organizations new channels and incentive models to create direct relationships with customers and build real, owned communities. Most organizations still “market products to their audiences” instead of “building products for their community.” The Web3 opportunity is one of community co-creation. Brands are building communities of passionate superfans rallied around a

common purpose and set of values, willing to proactively offer insights, feedback, and suggestions. A strong Web3 community can be a focus group, an incubator, and a grassroots brand evangelist. Building this community relies on new token-based incentives, immersive and real-time channels for insights, and hyper-personalized opportunities to engage.

3> Expand loyalty & rewards capabilities

Traditional points-based loyalty programs are a bit stale – an average consumer belongs to 17 programs and is active in less than half.¹⁸ Web3 promises a better mousetrap. Although this opportunity is largely untested, the theory of Web3 loyalty is highly compelling. By rewarding digital engagement and brand advocacy, a company can move beyond transactional purchase-based rewards to a more emotional connection with brand enthusiasts. A company can further expand its loyalty program’s network effect by offering ownable, tradable, collectible rewards. An enterprise with a portfolio of brands can now create a cross-portfolio, interoperable rewards ecosystem. Starbucks appears to be leading along this dimension with its recent Odyssey program launch. We expect this is the first of many continued experiments that will further prove the value of Web3 loyalty.

4> Create digital-first business models

Finally, brands that master the full suite of Web3 advancements will create digital-first business models. We see fashion brands leading the way on platforms like Roblox and Fortnite in tapping into emerging customer segments and creating new revenue streams. We see organizations leveraging the scale and efficiency of digital communities to glean consumer insights that translate into product strategy – Web3 is offering new models for external research & development. Nike, its RTFKT acquisition, and the new .Swoosh platform represents one of the clearest examples of this new paradigm, and as the Web3 space evolves, we expect continued innovation and fully net-new thinking. One thing is evident above all: there is not yet a one-size-fits-all approach to Web3 value creation.

THANK YOU



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